

## Financial Problems at NNMC

			Base		Current Administration				
Expense (\$MM)	FY08	FY09	FY10		FY11	FY12	FY13	F14	F15
Instruction (I)	7.9	9.9	9.5		8.6	7.3	8.4	7.3	7.0
Inst. Support (IS)	2.8	2.4	2.8		3.1	4.9	4.8	4.8	5.0
Ratio IS/I	0.35	0.29	0.29		0.36	0.67	0.57	0.66	0.71
Revenue (\$MM)									
Tuition/fees		1.3	4.6		3.2	4.1	4.0	4.8	3.8
Federal Grants		7.2	8.8		10.5	9.9	9.2	8.1	7.3
State Approp. (I&G)		13.0	12.3		10.6	10.2	10.5	11.1	11.6
Cash/Eq		2.1	2.6		2.2	2.0	-0.05	0.13	0.57
Students (Fall)									
Headcount	2593	2121	2180		1861	1867	1678	1371	
FTE	1236	1236	1352		1254	1186	1061		
NNMC Grads	205	220	191		232	174	193	217	

1. **Instruction Budget Allocation Down.** The expenses for "Instruction" decreased by \$2.5 million since FY10 (\$9.5 million to \$7.0 million) while administrative expenses, i.e. "Institutional Support" went up by virtually the same amount. The *Instruction* segment of the operational budget includes all expenses attributed to the central mission of the college – education of students, teacher salaries and associated overhead. The ratio of Institutional Support over Instruction is far higher than any other college in the state. The state college average is 20-30%, SFCC is at 28% for FY11, NNMC is at 71% for FY15.
3. **Warning from HED.** HED Secretary Garcia met with NNMC administrators in January 2011, insisting on resumption of timely financial reports to HED and hiring of a finance executive at college. None had been hired since September 1, 2010 by the new President who was hired on July 1, 2010. Domingo Sanchez was hired as financial contractor for a period starting in February 2011 then converted to full time employee at a \$150 thousand annual salary. (Comment at the January 2011 meeting made by Secretary Garcia that "...college is about to be taken over by state." Dr Gerald Burke in a

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2011 meeting as Chair of State Capital Projects made clear that El Rito campus of NNMC should not get any more money from state for capital projects)

4. **No Legislative Pork.** A Line item veto enacted by Gov. Martinez of special projects approved in 2011 legislative session; Governor's comment – "Northern doesn't deserve more money until it gets its financial house in order." (Comment made by Governor in reasons for line item vetoes)
5. **No audits since 2009.** Late filing of audits of college finances with State Auditor's Office for FY10, FY11 finally logged during 2012. The FY12 audit was received on time but with financials performed by outside firm. All audits through FY14 were by Moss-Adams. (The dates for the audit submissions are time stamped by State Auditor Office, outside financial firm cited in audit)
6. **Denial of Property Tax for Northern.** 2013 veto by Gov. of HB593 (imposition of property tax in Rio Arriba County for benefit of NNMC) sponsored by Nick Salazar (Rep.- Ohkay Owingeh). Similar bill by Sen. Richard Martinez (SB285) suffered pocket veto by Governor. Both legislators have buildings named after them at NNMC. Senator Martinez was commencement speaker. (Comment made by Governor for vetoes of specific bills cited singular beneficiary of bill - NNMC)
7. **Frozen Capital Outlay.** Of funded Capital Outlay projects from 2013 Legislative Session, none were approved for NNMC, including a requested \$900 thousand amount for renovation of Montoya Administration Building. (Verified by listing of approved measures of capital projects from 2013 Legislative Session)
8. **El Rito Expense.** The El Rito campus of NNMC consumes nearly \$1 million in college expense budget (plant and maintenance supplies, utilities and fuel, salaries for instructors, maintenance workers, administrators, etc.) Student utilization of campus has been at all-time low since the end of FY10. Village of El Rito has lost general store and gas station partly due to absence of students. Regents opt to keep the campus open and supported despite significant expense. Drug problems on campus reported to State Police in 2011 by students and campus administrator.
9. **Unseated Regents.** In late March 2013 Michael Branch, Board of Regents President, refused to seat two new Regent appointees, citing precedence from Gov. Gary Johnson's term that appointees had not been confirmed by Senate. (HED Secretary Garcia made phone call to college urging the seating of appointees to no avail.) In 2003 the then recently elected Governor Richardson asked for resignations of all appointed college regents. Most resigned and the Governor reappointed a select few and made new appointments in a majority of cases.
10. **Board of Regents – Loss of Confidence.** Michael Branch, President of Board of Regents, was given a "vote of no confidence" in April 2011 after similar budget cuts were approved with no faculty and community input. The Board of Regents had just approved a two year extension of the President's contract in 2012 despite signs that poor fiscal management was affecting the college's educational mission adversely and little progress had been made in procuring more revenue or in managing the growing administrative expense. With recently announced cuts to the Instruction part of the budget, the college opted to eliminate a central part of the college mission – technical

education comprised of two year programs in the trades such as welding, plumbing, carpentry, auto mechanics, and cosmetology.

**Problem Areas:**

1. **Cash.** The main college problem is lack of cash. HED financial rules ask that a college keep at least 5% of the annual college budget allocation in cash. The college had cash reserves of \$2.6 million at the end of FY10 when the current administration took over. By end of FY13, the college was technically insolvent with a cash deficit of \$54 thousand yet the FY13 Audit yielded an "Unqualified Opinion."
2. **Abnormal IS/I Ratio.** The college went from a IS/I ratio of 0.29, about average for a NM college, in FY10 to an unheard of ratio of 0.7 in FY15. No public information has been forthcoming but the implication is that abnormally high administrative salaries and unusual legal and audit expenses are to blame.
3. **Federal Grants.** Most federal grants disallow "supplanting expenses" since the funds are restricted to grant-approved activities. College employees have warned federal authorities that the college has been using grant monies to fund regular college expenses. Similarly, state grants (with restrictions) have been observed by employees to supplant operational expenses.
4. **NNMC Foundation.** Although funds from the college Foundation are restricted to activities and scholarships that the benefactors have stipulated, employees have observed irregularities in usage of Foundation funds to supplant operational college expenses.
5. **Human Resources.** The college hired an HR Director in 2007 who instituted formal procedures for the hiring, promotion, evaluation, compensation and termination of college employees. In 2012 her contract was not renewed reportedly because she refused to violate HR policies that had been put in place during her tenure and approved by the Board of Regents. In one instance, a retro-active promotion and compensation was requested of her for an administrator. In other instances, legal action has been taken by employees for wrongful termination or abusive treatment by administrators.

Recommended Interviews:

1. Tessie Lopez – NNMCI Payroll Manager (505) 747-2132  
Ms. Lopez has been a whistleblower before and would have primary evidence of payroll irregularities.
2. Theresa Chacon – NNMCI Accounting Technician (505) 747-2176  
Ms. Chacon has been a Payables Clerk during the administration under investigation. She would have current knowledge of irregularities in payments made to administrators from grant funds rather than I&G funds.
3. Carman Melendrez – NNMCI Inst. Adv. (505) 747-5495  
Ms. Melendrez would have information about irregularities in the usage of restricted grant funds used in payments to administrators.
4. Nancy K. O'Rourke – Former NNMCI HR Director (505) 363-8110 (Cell)  
Ms. O'Rourke is a former NNMCI HR Director who was allegedly terminated because she would not violate HR college policies in compensation and promotion of administrators.
5. Susan Pacheco (nee Meredith) – Former NNMCI Chief of Staff (505) 690-6612  
Ms. Meredith has publicly complained of college mismanagement by administrators.
6. David Schutz – Former NNMCI VP. (505) 316-6552  
Mr. Schutz would have primary information about college mismanagement by administrators including activities at the El Rito Campus.
7. Mitch Stanfield – Former NNMCI Public Relations Director. (505) 629-6874  
Mr. Stanfield's efforts to bring federal programs to the El Rito campus were hampered by college mismanagement by the then current administration.